

1 **ORIGINAL**

NEW APPLICATION



0000163825

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2 COMMISSIONERS

3 SUSAN BITTER SMITH, Chairman

4 BOB STUMP

5 BOB BURNS

DOUG LITTLE

TOM FORESE

2015 JUL 31 P 3:21

AZ CORP COMMISSION  
DOCKET CONTROL

6 IN THE MATTER OF THE APPLICATION OF  
7 ARIZONA WATER COMPANY, AN  
8 ARIZONA CORPORATION, FOR A  
9 DETERMINATION OF THE FAIR VALUE OF  
10 ITS UTILITY PLANT AND PROPERTY, AND  
11 FOR ADJUSTMENTS TO ITS RATES AND  
12 CHARGES FOR UTILITY SERVICE  
13 FURNISHED BY ITS WESTERN GROUP AND  
14 FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-15-0277

**NOTICE OF INTENT TO FILE GENERAL  
RATE CASE AND REQUEST FOR  
ACCOUNTING ORDER**

12 In accordance with A.A.C. R14-2-103(A)(3), Arizona Water Company ("Company") hereby  
13 provides notice of its intent to file a general rate case for its Western Group, including the Pinal  
14 Valley, White Tank and Ajo service areas. This general rate case will focus on the Company's plan  
15 to put its Central Arizona Project ("CAP") water allocations in the Western Group to full beneficial  
16 use through groundwater recharge and recovery. Because the Company's plan to deliver CAP water  
17 to customers through recharge and recovery is of decisive importance with respect to future water  
18 supplies and costs, the Company has developed updated CAP Water Use Plans which it will file in  
19 this docket to aid the parties in their reviews and analyses. Additionally, pursuant to A.R.S. §40-  
20 221, the Company hereby requests Commission authority to record the cost of delivering CAP water  
21 to its Western Group customers in 2015, net of grants and other credits, as a deferred asset on its  
22 balance sheet. The Commission can determine the disposition of this deferred asset in the  
23 Company's Western Group general rate case.

24 Notice of Intent to File General Rate Case

Arizona Corporation Commission

DOCKETED

25 The following is a summary of the Company's Western Group general rate case: **31 2015**

26 1. Anticipated filing date: on or about August 7, 2015.

27 2. Test Year ended: December 31, 2014.

28 3. Requested effective date of new rates: on or before November 1, 2016.

DOCKETED BY

MLB

- 1           4.     The major factors necessitating a rate increase:
- 2                 a.     The cost of delivering renewable CAP water supplies to customers. These
- 3                         costs include the CAP municipal & industrial ("M&I") capital, operation,
- 4                         maintenance, and pumping charges and the related portion of deferred CAP
- 5                         M&I capital charges.
- 6                 b.     Increased rate base as a result of utility plant replacements and improvements
- 7                         since the last general rate case.
- 8                 c.     Increased operation and maintenance expenses above the amounts currently
- 9                         reflected in rates.
- d.     Continued declines in per customer sales volumes since the last general rate
- case.
- e.     Increased income and property taxes above the amounts currently reflected in
- rates.
- f.     Increased capital costs.

10    **Request for Accounting Order**

11           As mentioned above, the Company has developed updated CAP Water Use Plans outlining

12    the Company's plan to deliver renewable CAP water supplies to customers in the Pinal Valley and

13    White Tank service areas through recharge and recovery. In 2015, the Company is delivering 5,000

14    acre feet of CAP water to groundwater savings facilities for the purpose of storage and recovery in

15    the Pinal Valley service area.

16           Pursuant to A.R.S. §40-221, the Company hereby requests Commission authority to record as

17    a deferred asset on its balance sheet \$357,500 -- the net cost to deliver 5,000 acre feet of CAP water

18    to groundwater savings facilities for the purpose of storage and recovery in 2015. As shown on

19    Exhibit 1 (page 1, line 17), based on current CAP M&I capital, operation, maintenance, and

20    pumping rates, the total cost to deliver 5,000 acre feet of CAP water to the Pinal Valley service area

21    in 2015, is \$895,000. For each acre foot of CAP water the Company delivered in 2015 to

22    groundwater savings facilities in the Western Group for storage and recovery, the owners of those

23    facilities are contractually obligated to pay the Company \$36, reducing the total cost by \$180,000

24    (page 1, line 28 of Exhibit 1).

25           In addition, in April 2015, the Arizona Department of Water Resources ("ADWR") awarded

26    the Company a Water Management Assistance Program Grant of \$357,500 to help offset the

27    significant cost of delivering renewable CAP water supplies. As a result of the ADWR grant, the

28    Company's net cost to deliver CAP water to customers in the Pinal Valley service area in 2015 is

1 \$357,500. This cost is extraordinary because it represents the cost of delivering much needed  
2 renewable CAP water supplies to general service customers in Pinal Valley, which will  
3 immediately reduce groundwater pumping in the area by 5,000 acre feet, and because this  
4 significant cost is not currently reflected in the Company's rates for service approved in Decision  
5 73144 (May 1, 2012). Accordingly, the Company requests authority to record this cost in the  
6 deferred asset account 186 – miscellaneous deferred debits. Deferral of these costs will allow for,  
7 but not yet authorize, future recovery and/or other necessary ratemaking treatment as determined to  
8 be appropriate by the Commission in the Company's Western Group general rate case.

9 All correspondence regarding the Company's request herein should be sent to:

10 Arizona Water Company  
11 Attn: Joseph D. Harris, Vice President and Treasurer  
12 3805 North Black Canyon Highway  
13 Phoenix, AZ 85015  
(602) 240-6860

14 RESPECTFULLY SUBMITTED this 31<sup>st</sup> day of July, 2015.

15 ARIZONA WATER COMPANY

16  
17 By: 

18 E. Robert Spear  
19 General Counsel  
20 ARIZONA WATER COMPANY  
Post Office Box 29006  
Phoenix, Arizona 85038-9006

21 Steven A Hirsch  
22 Coree E. Neumeyer  
23 BRYAN CAVE LLP  
24 Two North Central Avenue, Suite 2200  
25 Phoenix, AZ 85004  
26 *Attorneys for Applicant*  
27 *Arizona Water Company*  
28

1 **ORIGINAL** and thirteen (15) copies of the foregoing filed this 31<sup>ST</sup> day of July, 2015, with:

2 Docket Control Division  
3 Arizona Corporation Commission  
4 1200 West Washington Street  
5 Phoenix, Arizona 85007

6 **COPY** of the foregoing hand-delivered this 31<sup>st</sup> day of July, 2015, to:

7 Lyn Farmer  
8 Chief Administrative Law Judge  
9 Hearing Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Thomas Broderick, Director  
14 Utilities Division  
15 Arizona Corporation Commission  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

18 Janice Alward, Chief Counsel  
19 Legal Division  
20 Arizona Corporation Commission  
21 1200 West Washington Street  
22 Phoenix, Arizona 85007

23 **COPY** of the foregoing mailed this 31<sup>st</sup> day of July, 2015, to:

24 Daniel W. Pozefsky, Chief Counsel  
25 Residential Utility Consumer Office  
26 1110 West Washington Street, Suite 220  
27 Phoenix, Arizona 85007

28 By: \_\_\_\_\_

# **EXHIBIT 1**

ARIZONA WATER COMPANY  
Calculation of CAP Accounting Deferral

Line No.		Pinal Valley		
		[A]	[B]	[C]
1				
2	Central Arizona Project ("CAP") - Municipal & Industrial ("M&I") Subcontract			
3				
4	2015 Scheduled CAP Deliveries - Groundwater Storage	5,000	Acre Feet ("AF")	
5				
6	2015 CAP Rates			
7				
8	M&I Capital Charge	\$	22.00 AF	
9				
10	Fixed Operation, Maintenance & Reserve ("OM&R") Charge	\$	82.00 AF	
11				
12	Pumping Energy Rate	\$	75.00 AF	
13				
14	Total [ln. 8 + ln. 10 + ln. 12]	\$	179.00	
15				
16				
17	Purchased CAP Water Expense - Groundwater Storage	\$	895,000	
18	[ln. 4 x ln. 14]			
19				
20				
21	Less:			
22				
23	Contractual Payments from Groundwater Savings Facilities ("GSF")	\$	(36.00) AF	
24	(Maricopa-Stanfield Irrigation & Drainage Dist.)			
25	& Central Arizona Irrigation & Drainage Dist.)			
26				
27				
28	Total GSF Credit [ln. 4 x ln. 23]	\$	(180,000)	
29				
30				
31	Subtotal - Purchased CAP Water Expense - Groundwater Storage	\$	715,000	
32	[ln. 17 + ln. 28]			
33				
34	Less:			
35				
36	Arizona Department of Water Resources ("ADWR") Grant	\$	(357,500)	
37				
38				
39	Net Deferred CAP Recharge & Recovery Charges			\$ 357,500
40	[ln. 31 - ln. 36]			
41				
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**CENTRAL ARIZONA PROJECT  
FINAL 2015-2016 RATE SCHEDULE**

Approved  
June 5, 2014

**DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE**

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

	<u>2014</u>	<u>Firm</u> <u>2015</u>	<u>Provi-</u> <u>sional</u> <u>2016</u>	<u>Advisory</u>			
				<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b><u>Municipal and Industrial</u></b>							
Long Term Subcontract (B+C) <sup>1</sup>	\$ 146	\$ 157	\$ 161	\$ 166	\$ 171	\$ 174	\$ 196
Non-Subcontract (A+B+C) <sup>2</sup>	166	179	184	190	196	199	221
Recharge (A+B+C) <sup>3</sup>	166	179	184	190	196	199	221
AWBA Interstate Recharge (A+B+C+D) <sup>4</sup>	189	n.p.	n.p.	n.p.	n.p.	n.p.	n.p.
<b><u>Federal</u></b> (B+C) <sup>5</sup>	\$ 146	\$ 157	\$ 161	\$ 166	\$ 171	\$ 174	\$ 196
<b><u>Agricultural</u></b>							
Settlement Pool (C) <sup>6</sup>	\$ 67	\$ 75	\$ 76	\$ 79	\$ 81	\$ 82	\$ 99
<b><u>Agricultural Incentives</u></b> <sup>6</sup>							
Meet Settlement Pool Goals	(14)	(18)	(15)	(14)	(12)	(9)	(22)
Meet AWBA/CAGR D GSF Goals	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Meet Recovery Goals	(2)	(2)	(2)	(2)	(2)	(2)	(2)

**RATE COMPONENTS**

Units = \$/acre-foot

	<u>2014</u>	<u>Firm</u> <u>2015</u>	<u>Provi-</u> <u>sional</u> <u>2016</u>	<u>Advisory</u>			
				<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b><u>Capital Charges</u></b>							
(A) Municipal and Industrial - Long Term Subcontract <sup>7</sup>	\$ 20	\$ 22	\$ 23	\$ 24	\$ 25	\$ 25	\$ 25
<b><u>Delivery Charges</u></b>							
(B) Fixed OM&R <sup>8</sup>	\$ 79	\$ 82	\$ 85	\$ 87	\$ 90	\$ 92	\$ 97
(C) Pumping Energy Rate <sup>9</sup>	67	75	76	79	81	82	99
(D) Property Tax Equivalency <sup>10</sup>	23	n.p.	n.p.	n.p.	n.p.	n.p.	n.p.

**DIRECT UNDERGROUND WATER STORAGE**

Units = \$/acre-foot

	<u>2014</u>	<u>Firm</u> <u>2015</u>	<u>Provi-</u> <u>sional</u> <u>2016</u>	<u>Advisory</u>			
				<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b><u>Underground Water Storage O&amp;M</u></b> <sup>11</sup>							
Phoenix AMA	\$ 8	\$ 9	\$ 10	\$ 12	\$ 13	\$ 14	\$ 15
Tucson AMA	15	15	15	15	15	15	15
<b><u>Underground Water Storage Capital Charge</u></b> <sup>12</sup>							
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9	9	9

**CENTRAL ARIZONA PROJECT  
FINAL 2015-2016 RATE SCHEDULE**

Approved  
June 5, 2014

**NOTES:**

- 1) Long-Term Municipal and Industrial (M&I) Subcontract include those users that hold a M&I subcontract.
- 2) Non-Subcontract includes M&I users that are taking water under an agreement other than a subcontract and may also be referred to as "Excess" water. It is administered according to CAP's Access to Excess policy.
- 3) Recharge includes the Arizona Water Banking Authority, CAGRD, BOR and M&I subcontract holders and other Arizona entities who have valid Arizona Department of Water Resources water storage permits and accrue long-term storage credits. It is administered according to CAP's Access to Excess policy.
- 4) The AWBA Interstate Recharge rate is currently not published (n.p.) and will be provided upon request as there is not any anticipation of water available for this class.
- 5) Federal water may also be referred to as "Indian" water.
- 6) Rate is the Pumping Energy Rate 1 component. Incentives may be earned for meeting delivery goals in three areas. Any incentives earned are applied to Settlement Pool deliveries.
- 7) For M&I subcontract water, the Capital Charge is paid on full allocation regardless of amount delivered and not included in delivery rates.
- 8) Fixed O&M costs divided by projected total water volumes plus components to fund capital replacements and a rate stabilization reserve. This amount is collected on all ordered water whether delivered or not.
- 9) The energy rate applies to all actual water volumes as opposed to scheduled. The calculation is pumping energy costs divided by projected volumes.
- 10) The rate is based upon the tax levy for the previous elapsed tax year divided by the average water deliveries (excluding Federal deliveries and water storage credits) for the three previous completed delivery years (e.g., for 2012, the tax equivalency is the levy for the 2010-2011 tax year divided by the average water deliveries for 2008, 2009 and 2010). This rate is currently not published (n.p.) and is available upon request, although it is not anticipated there will be water available for this class.
- 11) Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 12) Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGRD, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.

# ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, AZ 85038-9006  
PHONE: (602) 240-6860 • FAX: (602) 240-6874 • TOLL FREE: (800) 533-6023 • [www.azwater.com](http://www.azwater.com)

November 20, 2014

Mr. Andrew J. Craddock  
Recharge Program Manager  
Arizona Department of Water Resources  
3550 North Central Avenue, Second Floor  
Phoenix, AZ 85012-2105

Re: Groundwater Savings Facility Storage Agreement between  
Central Arizona Irrigation and Drainage District and Arizona Water Company  
Water Storage Permit No. 73-531382.0700

Dear Mr. Craddock:

Enclosed is a fully executed copy of the above referenced agreement for your records.

Yours very truly,



Fredrick K. Schneider  
Vice President – Engineering

jrc  
Enclosure

---

E-MAIL: [mail@azwater.com](mailto:mail@azwater.com)

**GROUNDWATER SAVINGS FACILITY STORAGE AGREEMENT  
BETWEEN  
CENTRAL ARIZONA IRRIGATION AND DRAINAGE DISTRICT  
AND  
ARIZONA WATER COMPANY**

**1. PARTIES**

The Parties to this Groundwater Savings Facility Storage Agreement ("Agreement") are CENTRAL ARIZONA IRRIGATION AND DRAINAGE DISTRICT ("CAIDD") and ARIZONA WATER COMPANY ("AWC"). CAIDD and AWC are referred to in this Agreement as the "Parties" and each is referred to as a "Party."

CAIDD is a political subdivision of the State of Arizona formed pursuant to A.R.S. § 48-2901 *et seq.* and is authorized to enter into this Agreement pursuant to A.R.S. §§ 48-2901 and 48-2978.

AWC is an Arizona corporation that holds one or more subcontracts for Central Arizona Project ("CAP") water pursuant to a three party agreement between the United States Bureau of Reclamation, the Central Arizona Water Conservation District, and AWC. AWC is eligible to store CAP water underground pursuant to Arizona's Underground Water Storage, Savings and Replenishment statutes, A.R.S. § 45-801.01 *et seq.*

**2. CAIDD's GROUNDWATER SAVINGS FACILITY**

2.1 CAIDD operates a groundwater savings facility (the "CAIDD GSF") pursuant to Permit No. 72-531382.0005 (the "GSF Permit") issued by the Arizona Department of Water Resources ("ADWR").

2.2 CAIDD's GSF Permit authorizes CAIDD to accept CAP water into CAIDD's GSF in lieu of pumping groundwater on a gallon-for-gallon substitute basis. AWC may be eligible to store CAP water in CAIDD's GSF and recover such stored CAP water on an annual basis pursuant to a water storage permit and recovery well permits approved by ADWR.

2.3 AWC has applied for a water storage permit with ADWR to store CAP water at CAIDD's GSF (the "AWC Water Storage Permit") and will be entitled to store CAP water at CAIDD's GSF once the AWC Water Storage Permit is approved by ADWR and pursuant to this Agreement. All such CAP water ordered by AWC for delivery to CAIDD's GSF is referred to in this Agreement as "AWC CAP Water."

**3. TERM**

This Agreement will be effective when fully executed by the Parties.

This Agreement will terminate on December 31, 2020, unless the Parties agree in writing to extend the term or unless it is sooner terminated in accordance with Section 12 of this Agreement.

#### **4. CONDITIONS FOR DELIVERY OF WATER**

The delivery and use of AWC CAP Water under this Agreement are conditioned on the following, and the Parties agree that:

4.1 AWC is responsible for keeping the AWC Water Storage Permit in effect throughout the term of this Agreement, and for all expenses and administrative requirements, including filing annual reports with ADWR, associated with obtaining and maintaining the AWC Water Storage Permit.

4.2 CAIDD is responsible for keeping the GSF Permit in effect throughout the term of this Agreement, and for all expenses and administrative requirements, including filing annual reports with ADWR, associated with obtaining and maintaining the GSF Permit. CAIDD will provide notice to AWC if, during the term of this Agreement: (i) CAIDD receives notice from ADWR that ADWR intends to amend the GSF Permit; or (ii) CAIDD elects to submit an application for amendment of the GSF Permit.

4.3 AWC will annually determine, in its sole discretion, whether to order AWC CAP Water for delivery to the CAIDD GSF, and CAIDD will annually determine, in its sole discretion, whether to accept AWC CAP Water into the CAIDD GSF.

4.4 All uses of AWC CAP Water delivered to CAIDD's GSF must be consistent with all applicable Arizona laws and the terms of CAIDD's GSF Permit.

4.5 Upon receiving AWC CAP Water into the CAIDD GSF, CAIDD will deliver the AWC CAP Water only to CAIDD customers within the boundaries of the CAIDD GSF. CAIDD is responsible for all expenses and administrative requirements associated with maintaining and operating the GSF Permit, including filing annual reports with ADWR and paying groundwater withdrawal fees to ADWR pursuant to A.R.S. § 45-873.01. CAIDD's delivery of AWC CAP Water within the CAIDD GSF must at all times comply with the Plan of Operation of the GSF Permit required by A.R.S. § 45-812.01. If the GSF Permit for the CAIDD GSF is suspended, cancelled, or expires for any reason, CAIDD will immediately notify AWC, and deliveries of AWC CAP Water to CAIDD's GSF may, at the option of AWC, be discontinued immediately.

4.6 CAIDD will deliver AWC CAP Water within the CAIDD GSF only on a gallon-for-gallon substitute basis directly in lieu of groundwater that CAIDD otherwise would have pumped within the Pinal Active Management Area.

#### **5. SCHEDULING DELIVERIES**

5.1 On or before September 1st of each year, AWC will notify CAIDD in writing of the amount of AWC CAP Water that AWC desires to store in the CAIDD GSF during the following year.

5.2 On or before September 15th of each year, CAIDD will notify AWC in writing of the amount of AWC CAP Water that CAIDD agrees to receive and use in lieu of groundwater pumping on a gallon-for-gallon substitute basis during the following year.

5.3 On or before September 30th of each year, AWC will submit an order to the CAWCD for CAP water (the "AWC CAP Water Order") in an amount equal to the quantity of AWC CAP Water that CAIDD has agreed to use in lieu of groundwater during the following year pursuant to Section 5.2 of this Agreement.

5.4 CAIDD will determine a proposed monthly schedule of its use of AWC CAP Water for the following year. CAIDD will provide AWC with a copy of the proposed schedule on or before September 20th of each year. AWC will submit the proposed delivery schedule to CAWCD along with the AWC CAP Water Order. The Parties agree that the proposed delivery schedule is an estimate of how CAIDD may receive the AWC CAP Water during the following year and that the schedule may be subject to change based on CAWCD's final delivery schedule.

5.5 AWC hereby authorizes CAIDD to receive AWC CAP Water directly from CAWCD. The amounts, times, and rates of delivery of AWC CAP Water to CAIDD during any month will be determined by CAIDD and CAWCD.

5.6 At any time during the term of this Agreement, the Parties may agree to enter into a multi-year commitment regarding specific quantities of AWC CAP Water to be ordered by AWC and received by CAIDD for use in the CAIDD GSF. At the request of either Party, both Parties will meet in good faith to discuss the terms under which they might agree to such a multi-year commitment. If the Parties agree to a multi-year commitment, that commitment will be documented in the form of an amendment to this Agreement signed by both Parties.

## **6. REDUCTION OR DISCONTINUATION OF DELIVERIES**

Upon providing CAIDD with 15 days' advance written notice, AWC may reduce or discontinue deliveries of AWC CAP Water to CAIDD if one or more of the following events occur:

6.1 ADWR notifies AWC that ADWR will not allow AWC to recover water on an annual basis in exchange for the storage of AWC CAP Water in the CAIDD GSF as contemplated by this Agreement.

6.2 AWC has been informed by CAWCD that the amount of AWC CAP Water made available to AWC has been or will be reduced.

## **7. CAIDD's CONTRIBUTION TO COST OF AWC WATER**

7.1 The Parties agree that CAIDD will pay AWC \$36.00 for each acre-foot of AWC CAP Water delivered to CAIDD during the initial year of delivering AWC CAP Water to CAIDD under this Agreement ("CAIDD's Contribution"). AWC may revise the cost to deliver AWC CAP Water to CAIDD in subsequent years after first giving notice to CAIDD no later than June 1st of the previous year. If AWC gives notice of its intent to revise the cost of delivery of CAP Water to CAIDD, the Parties shall meet and confer in good faith to reach agreement on the cost to deliver AWC CAP Water for the subsequent year. If the Parties are unable to reach agreement on the revised cost by August 1st, AWC may choose not to schedule deliveries of AWC CAP Water for delivery to the CAIDD GSF for the subsequent year.

7.2 On or before the 20th day of each month during the term of this Agreement, CAIDD will pay to AWC CAIDD's Contribution for any AWC CAP Water received by CAIDD during the preceding month. CAIDD will provide AWC with a copy of CAIDD's monthly "CAP Water Use Accounting Report" and a transmittal letter documenting the calculation of the monthly CAIDD Contribution.

7.3 If CAIDD fails or refuses to pay AWC for the monthly CAIDD Contribution, AWC may suspend delivery of AWC CAP Water to CAIDD until the payment has been received by AWC. AWC will provide CAIDD 15 days' written notice prior to suspending the delivery of AWC CAP Water to CAIDD. In the event that CAIDD does not pay AWC within 15 days after receiving such written notice, AWC may suspend deliveries of AWC CAP Water to CAIDD and deliver the remainder of AWC CAP Water scheduled for delivery to CAIDD's GSF for that year to another GSF operator or to any other potential recipients.

## **8. NO ALLOCATION OF WATER**

8.1 Nothing in this Agreement will be construed as an allocation of water to CAIDD, nor will this Agreement entitle CAIDD to any water other than any AWC CAP Water ordered pursuant to this Agreement.

8.2 Until a specific quantity of water is agreed upon by the Parties for a particular year pursuant to Section 5 of this Agreement, nothing in this Agreement will be construed as requiring AWC to provide AWC CAP Water to CAIDD in any year, and, nothing in this Agreement will be construed as requiring CAIDD to accept deliveries of AWC CAP Water in any year.

## **9. WATER QUALITY**

Neither Party guarantees the quality of water delivered, received, or used pursuant to this Agreement. Each Party waives its right to make a claim against the other Party for any effect on the quality of surface or underground water as a result of this Agreement.

## **10. RECOVERY, SALE, OR TRANSFER OF STORED WATER AND CREDITS**

10.1 AWC will have the right to recover, sell, or transfer any stored CAP Water AWC recovers as a result of storing AWC CAP Water at the CAIDD GSF pursuant to this Agreement; *provided, however*, CAIDD and AWC acknowledge that the recovery of water stored underground in the CAIDD GSF is beyond the scope of this Agreement, and recovery of such water will be the sole responsibility of AWC.

10.2 Recovery of stored CAP Water may be the subject of a separate agreement between the Parties if they so desire. At the request of either Party, both Parties will meet in good faith to discuss the terms of such a separate agreement to recover water stored pursuant to this Agreement.

10.3 At the request of either Party, both Parties will cooperate to seek approval from the United States Bureau of Reclamation, CAWCD, or any other entities with authority to

control wheeling of recovered water through Central Arizona Project facilities or other water delivery infrastructure interconnected with the CAIDD GSF.

## **11. DELIVERY OF AWC WATER**

11.1 AWC CAP Water furnished to CAIDD pursuant to this Agreement will be delivered to CAIDD at such delivery point(s) as have been approved by CAIDD and CAWCD.

11.2 All water delivered to CAIDD from the CAP system will be measured with equipment furnished, operated, and maintained by CAWCD. Upon the request of CAIDD or AWC, the Parties will request that the accuracy of such measurements be investigated by CAWCD, and any errors that are mutually determined to have occurred will be corrected. However, if the Parties cannot agree on any required adjustment, CAWCD's determination will control.

11.3 AWC will not be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond CAIDD's CAP delivery point(s).

11.4 AWC will not be responsible for any action taken by CAWCD or CAIDD regarding the construction, operation, or maintenance of connection facilities between the CAWCD and CAIDD systems.

11.5 The Parties understand and agree that deliveries of CAP water scheduled under this Agreement may be subject to temporary interruption due to investigation, inspection, construction, testing, maintenance, repair or replacement of the CAP water delivery facilities. Further, the Parties agree that deliveries of AWC CAP Water scheduled under this Agreement may be subject to temporary interruption by CAWCD due to insufficient water supplies or insufficient delivery capacity needed to deliver water through the CAP system.

## **12. TERMINATION OF AGREEMENT**

12.1 This Agreement may be terminated for any of the following reasons:

12.1.1 If any agreement by which AWC secures the right to order CAP Water is terminated, AWC may terminate this Agreement, which termination will be effective 15 days after mailing written notice of termination to CAIDD.

12.1.2 If ADWR notifies AWC that AWC may not store and recover water on an annual basis in exchange for AWC CAP Water delivered to the CAIDD GSF, AWC may terminate this Agreement, which termination will be effective 15 days after AWC delivers written notice of termination to CAIDD.

12.1.3 If AWC determines, in its sole discretion, that continued deliveries of AWC CAP Water to the CAIDD GSF are not in the best interest of AWC, then AWC may terminate this Agreement effective at the end of the period encompassed by the then-current AWC CAP Water Order by giving not less than 15 days' written notice of termination to CAIDD.

12.1.4 If CAIDD determines, in its sole discretion, that continued deliveries of AWC CAP Water to the CAIDD GSF are not in the best interest of CAIDD, then CAIDD may terminate this Agreement effective at the end of the period encompassed by the then-current AWC CAP Water Order by giving not less than 15 days' written notice of termination to AWC.

12.1.5 Upon mutual written agreement of the Parties.

12.2 A Party's right to collect any monies owed under this Agreement will survive the termination of this Agreement.

### **13. COMPLIANCE WITH LAWS**

In carrying out this Agreement, CAIDD and AWC will comply with all applicable laws and regulations of the State of Arizona and will obtain and maintain all required permits or licenses from appropriate federal, state, and local authorities.

### **14. BOOKS AND RECORDS**

CAIDD will maintain records pertaining to the administration of the terms of this Agreement, including records of CAIDD's water supply and water use data. Copies of such records will be furnished to AWC upon request.

### **15. AUTHORIZED REPRESENTATIVES; NOTICES**

The individuals named below are authorized to act as the designated representative for the respective Parties and will serve as a primary contact person for such Party. Any notice, demand, or request authorized or required by this Agreement will be in writing and will be deemed to have been duly given if: (i) mailed, via certified United States Mail, return receipt requested, postage prepaid; (ii) personally delivered to the Parties at the address set forth below; or (iii) sent via national overnight delivery service. The date a notice will be deemed to have been given, received, and become effective will be: (a) three days following the date of deposit in the mail, if the notice is sent by certified United States Mail, return receipt requested, postage prepaid; or (b) the date on which the notice is delivered or refused, if notice is given by personal delivery or delivery by a national overnight delivery service. No notice will be deemed effective unless sent in one of the manners described above. The designation of the addressee or the address may be changed by notice given in the same manner as provided for in this Section 15.

If to AWC:

President  
Arizona Water Company  
P.O. Box 29006  
Phoenix, AZ 85038-9006

If to CAIDD:

General Manager  
Central Arizona Irrigation and Drainage District  
P.O. Box 605  
231 S. Sunshine Blvd.  
Eloy, Arizona 85131

**16. ASSIGNMENT**

The provisions of this Agreement will apply to and bind the successors and assigns of the Parties hereto, but no assignment or transfer of this Agreement or any interest in it will be valid unless and until approved in writing by both Parties. Any assignment or transfer of this Agreement by a Party in breach of this Section 16 will be null and void and of no legal force or effect.

**17. MUTUAL DEFENSE AND COOPERATION**

The Parties will exercise good faith efforts to defend this Agreement from and against any challenge made by third parties, and each Party will do so at its individual expense.

**18. UNCONTROLLABLE FORCES**

Neither Party will be considered to be in default in the performance of any of its obligations under this Agreement when the failure of such performance is the result of uncontrollable forces. The term "uncontrollable forces" will mean any cause beyond the control of the Party unable to perform an obligation under this Agreement, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, drought, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities, restraint by a court order or a public authority, or any action or non-action by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence the affected Party could not reasonably have been expected to avoid and which by exercise of due diligence it is unable to overcome.

**19. ENTIRE AGREEMENT; MODIFICATIONS**

This Agreement embodies the entire agreement of the Parties with regard to the subject matter addressed herein. There are no promises, terms, conditions, or obligations between the Parties relating to this subject matter other than those contained in this Agreement. This Agreement will supersede all previous communications, representations, or agreements, either verbal or written, between the Parties relating to the subject matter herein. There will be no modification of this Agreement except in a writing executed by both Parties.

**20. COUNTERPART EXECUTION**

This Agreement may be signed in counterparts, each of which will be an original and all of which will constitute one and the same instrument. All signatures need not be on the same counterpart.

## 21. AUTHORIZATIONS

The Parties to this Agreement represent that the individuals signing this Agreement in the spaces provided below have been appropriately authorized to enter into this Groundwater Savings Facility Storage Agreement on behalf of the Party for which they sign and that no further action or approvals are necessary before execution of this Agreement.

IN WITNESS WHEREOF, this Agreement is executed this 20th day of August 2014.

CENTRAL ARIZONA IRRIGATION AND DRAINAGE  
DISTRICT, an Arizona municipal corporation

By: DeWitt Weddle  
Name: DeWitt Weddle  
Title: President, Board of Directors

By: Timothy J. Maher  
Attested to by: Timothy J. Maher  
Title: Secretary, Board of Directors

ARIZONA WATER COMPANY

By: William M. Garfield  
Name: William M. Garfield  
Title: President and Chief Operating Officer

# **ARIZONA WATER COMPANY**

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, AZ 85038-9006  
PHONE: (602) 240-6860 • FAX: (602) 240-6874 • TOLL FREE: (800) 533-6023 • [www.azwater.com](http://www.azwater.com)

November 20, 2014

Mr. Andrew J. Craddock  
Recharge Program Manager  
Arizona Department of Water Resources  
3550 North Central Avenue, Second Floor  
Phoenix, AZ 85012-2105

Re: Groundwater Savings Facility Storage Agreement between  
Maricopa-Stanfield Irrigation and Drainage District and Arizona Water Company  
Water Storage Permit No. 73-531381.0700

Dear Mr. Craddock:

Enclosed is a fully executed copy of the above referenced agreement for your records.

Yours very truly,



Fredrick K. Schneider  
Vice President – Engineering

jrc  
Enclosure

---

E-MAIL: [mail@azwater.com](mailto:mail@azwater.com)

**GROUNDWATER SAVINGS FACILITY STORAGE AGREEMENT  
BETWEEN  
MARICOPA STANFIELD IRRIGATION AND DRAINAGE DISTRICT  
AND  
ARIZONA WATER COMPANY**

**1. PARTIES**

The Parties to this Groundwater Savings Facility Storage Agreement ("Agreement") are MARICOPA STANFIELD IRRIGATION AND DRAINAGE DISTRICT ("MSIDD") and ARIZONA WATER COMPANY ("AWC"). MSIDD and AWC are referred to in this Agreement as the "Parties" and each is referred to as a "Party."

MSIDD is a political subdivision of the State of Arizona formed pursuant to A.R.S. § 48-2901 *et seq.* and is authorized to enter into this Agreement pursuant to A.R.S. §§ 48-2901 and 48-2978.

AWC is an Arizona corporation that holds one or more subcontracts for Central Arizona Project ("CAP") water pursuant to a three party agreement between the United States Bureau of Reclamation, the Central Arizona Water Conservation District, and AWC. AWC is eligible to store CAP water underground pursuant to Arizona's Underground Water Storage, Savings and Replenishment statutes, A.R.S. § 45-801.01 *et seq.*

**2. MSIDD's GROUNDWATER SAVINGS FACILITY**

2.1 MSIDD operates a groundwater savings facility (the "MSIDD GSF") pursuant to Permit No. 72-531381.0005 (the "GSF Permit") issued by the Arizona Department of Water Resources ("ADWR").

2.2 MSIDD's GSF Permit authorizes MSIDD to accept CAP water into MSIDD's GSF in lieu of pumping groundwater on a gallon-for-gallon substitute basis. AWC may be eligible to store CAP water in MSIDD's GSF and recover such stored CAP water on an annual basis pursuant to a water storage permit and recovery well permits approved by ADWR.

2.3 AWC has applied for a water storage permit with ADWR to store CAP water at MSIDD's GSF (the "AWC Water Storage Permit") and will be entitled to store CAP water at MSIDD's GSF once the AWC Water Storage Permit is approved by ADWR and pursuant to this Agreement. All such CAP water ordered by AWC for delivery to MSIDD's GSF is referred to in this Agreement as "AWC CAP Water."

**3. TERM**

This Agreement will be effective when fully executed by the Parties.

This Agreement will terminate on December 31, 2020, unless the Parties agree in writing to extend the term or unless it is sooner terminated in accordance with Section 12 of this Agreement.

#### **4. CONDITIONS FOR DELIVERY OF WATER**

The delivery and use of AWC CAP Water under this Agreement are conditioned on the following, and the Parties agree that:

4.1 AWC is responsible for keeping the AWC Water Storage Permit in effect throughout the term of this Agreement, and for all expenses and administrative requirements, including filing annual reports with ADWR, associated with obtaining and maintaining the AWC Water Storage Permit.

4.2 MSIDD is responsible for keeping the GSF Permit in effect throughout the term of this Agreement, and for all expenses and administrative requirements, including filing annual reports with ADWR, associated with obtaining and maintaining the GSF Permit. MSIDD will provide notice to AWC if, during the term of this Agreement: (i) MSIDD receives notice from ADWR that ADWR intends to amend the GSF Permit; or (ii) MSIDD elects to submit an application for amendment of the GSF Permit.

4.3 AWC will annually determine, in its sole discretion, whether to order AWC CAP Water for delivery to the MSIDD GSF, and MSIDD will annually determine, in its sole discretion, whether to accept AWC CAP Water into the MSIDD GSF.

4.4 All uses of AWC CAP Water delivered to MSIDD's GSF must be consistent with all applicable Arizona laws and the terms of MSIDD's GSF Permit.

4.5 Upon receiving AWC CAP Water into the MSIDD GSF, MSIDD will deliver the AWC CAP Water only to MSIDD customers within the boundaries of the MSIDD GSF. MSIDD is responsible for all expenses and administrative requirements associated with maintaining and operating the GSF Permit, including filing annual reports with ADWR and paying groundwater withdrawal fees to ADWR pursuant to A.R.S. § 45-873.01. MSIDD's delivery of AWC CAP Water within the MSIDD GSF must at all times comply with the Plan of Operation of the GSF Permit required by A.R.S. § 45-812.01. If the GSF Permit for the MSIDD GSF is suspended, cancelled, or expires for any reason, MSIDD will immediately notify AWC, and deliveries of AWC CAP Water to MSIDD's GSF may, at the option of AWC, be discontinued immediately.

4.6 MSIDD will deliver AWC CAP Water within the MSIDD GSF only on a gallon-for-gallon substitute basis directly in lieu of groundwater that MSIDD otherwise would have pumped within the Pinal Active Management Area.

#### **5. SCHEDULING DELIVERIES**

5.1 On or before September 1st of each year, AWC will notify MSIDD in writing of the amount of AWC CAP Water that AWC desires to store in the MSIDD GSF during the following year.

5.2 On or before September 15th of each year, MSIDD will notify AWC in writing of the amount of AWC CAP Water that MSIDD agrees to receive and use in lieu of groundwater pumping on a gallon-for-gallon substitute basis during the following year.

5.3 On or before September 30th of each year, AWC will submit an order to the CAWCD for CAP water (the "AWC CAP Water Order") in an amount equal to the quantity of AWC CAP Water that MSIDD has agreed to use in lieu of groundwater during the following year pursuant to Section 5.2 of this Agreement.

5.4 MSIDD will determine a proposed monthly schedule of its use of AWC CAP Water for the following year. MSIDD will provide AWC with a copy of the proposed schedule on or before September 20th of each year. AWC will submit the proposed delivery schedule to CAWCD along with the AWC CAP Water Order. The Parties agree that the proposed delivery schedule is an estimate of how MSIDD may receive the AWC CAP Water during the following year and that the schedule may be subject to change based on CAWCD's final delivery schedule.

5.5 AWC hereby authorizes MSIDD to receive AWC CAP Water directly from CAWCD. The amounts, times, and rates of delivery of AWC CAP Water to MSIDD during any month will be determined by MSIDD and CAWCD.

5.6 At any time during the term of this Agreement, the Parties may agree to enter into a multi-year commitment regarding specific quantities of AWC CAP Water to be ordered by AWC and received by MSIDD for use in the MSIDD GSF. At the request of either Party, both Parties will meet in good faith to discuss the terms under which they might agree to such a multi-year commitment. If the Parties agree to a multi-year commitment, that commitment will be documented in the form of an amendment to this Agreement signed by both Parties.

## **6. REDUCTION OR DISCONTINUATION OF DELIVERIES**

Upon providing MSIDD with 15 days' advance written notice, AWC may reduce or discontinue deliveries of AWC CAP Water to MSIDD if one or more of the following events occur:

6.1 ADWR notifies AWC that ADWR will not allow AWC to recover water on an annual basis in exchange for the storage of AWC CAP Water in the MSIDD GSF as contemplated by this Agreement.

6.2 AWC has been informed by CAWCD that the amount of AWC CAP Water made available to AWC has been or will be reduced.

## **7. MSIDD's CONTRIBUTION TO COST OF AWC WATER**

7.1 The Parties agree that MSIDD will pay AWC \$36.00 for each acre-foot of AWC CAP Water delivered to MSIDD during the initial year of delivering AWC CAP Water to MSIDD under this Agreement ("MSIDD's Contribution"). AWC may revise the cost to deliver AWC CAP Water to MSIDD in subsequent years after first giving notice to MSIDD no later than June 1st of the previous year. If AWC gives notice of its intent to revise the cost of delivery of CAP Water to MSIDD, the Parties shall meet and confer in good faith to reach agreement on the cost to deliver AWC CAP Water for the subsequent year. If the Parties are unable to reach agreement on the revised cost by August 1st, AWC may choose not to schedule deliveries of AWC CAP Water for delivery to the MSIDD GSF for the subsequent year.

7.2 On or before the 20th day of each month during the term of this Agreement, MSIDD will pay to AWC MSIDD's Contribution for any AWC CAP Water received by MSIDD during the preceding month. MSIDD will provide AWC with a copy of MSIDD's monthly "CAP Water Use Accounting Report" and a transmittal letter documenting the calculation of the monthly MSIDD Contribution.

7.3 If MSIDD fails or refuses to pay AWC for the monthly MSIDD Contribution, AWC may suspend delivery of AWC CAP Water to MSIDD until the payment has been received by AWC. AWC will provide MSIDD 15 days' written notice prior to suspending the delivery of AWC CAP Water to MSIDD. In the event that MSIDD does not pay AWC within 15 days after receiving such written notice, AWC may suspend deliveries of AWC CAP Water to MSIDD and deliver the remainder of AWC CAP Water scheduled for delivery to MSIDD's GSF for that year to another GSF operator or to any other potential recipients.

## **8. NO ALLOCATION OF WATER**

8.1 Nothing in this Agreement will be construed as an allocation of water to MSIDD, nor will this Agreement entitle MSIDD to any water other than any AWC CAP Water ordered pursuant to this Agreement.

8.2 Until a specific quantity of water is agreed upon by the Parties for a particular year pursuant to Section 5 of this Agreement, nothing in this Agreement will be construed as requiring AWC to provide AWC CAP Water to MSIDD in any year, and, nothing in this Agreement will be construed as requiring MSIDD to accept deliveries of AWC CAP Water in any year.

## **9. WATER QUALITY**

Neither Party guarantees the quality of water delivered, received, or used pursuant to this Agreement. Each Party waives its right to make a claim against the other Party for any effect on the quality of surface or underground water as a result of this Agreement.

## **10. RECOVERY, SALE, OR TRANSFER OF STORED WATER AND CREDITS**

10.1 AWC will have the right to recover, sell, or transfer any stored CAP Water AWC recovers as a result of storing AWC CAP Water at the MSIDD GSF pursuant to this Agreement; *provided, however*, MSIDD and AWC acknowledge that the recovery of water stored underground in the MSIDD GSF is beyond the scope of this Agreement, and recovery of such water will be the sole responsibility of AWC.

10.2 Recovery of stored CAP Water may be the subject of a separate agreement between the Parties if they so desire. At the request of either Party, both Parties will meet in good faith to discuss the terms of such a separate agreement to recover water stored pursuant to this Agreement.

10.3 At the request of either Party, both Parties will cooperate to seek approval from the United States Bureau of Reclamation, CAWCD, or any other entities with authority to

control wheeling of recovered water through Central Arizona Project facilities or other water delivery infrastructure interconnected with the MSIDD GSF.

## **11. DELIVERY OF AWC WATER**

11.1 AWC CAP Water furnished to MSIDD pursuant to this Agreement will be delivered to MSIDD at such delivery point(s) as have been approved by MSIDD and CAWCD.

11.2 All water delivered to MSIDD from the CAP system will be measured with equipment furnished, operated, and maintained by CAWCD. Upon the request of MSIDD or AWC, the Parties will request that the accuracy of such measurements be investigated by CAWCD, and any errors that are mutually determined to have occurred will be corrected. However, if the Parties cannot agree on any required adjustment, CAWCD's determination will control.

11.3 AWC will not be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond MSIDD's CAP delivery point(s).

11.4 AWC will not be responsible for any action taken by CAWCD or MSIDD regarding the construction, operation, or maintenance of connection facilities between the CAWCD and MSIDD systems.

11.5 The Parties understand and agree that deliveries of CAP water scheduled under this Agreement may be subject to temporary interruption due to investigation, inspection, construction, testing, maintenance, repair or replacement of the CAP water delivery facilities. Further, the Parties agree that deliveries of AWC CAP Water scheduled under this Agreement may be subject to temporary interruption by CAWCD due to insufficient water supplies or insufficient delivery capacity needed to deliver water through the CAP system.

## **12. TERMINATION OF AGREEMENT**

12.1 This Agreement may be terminated for any of the following reasons:

12.1.1 If any agreement by which AWC secures the right to order CAP Water is terminated, AWC may terminate this Agreement, which termination will be effective 15 days after mailing written notice of termination to MSIDD.

12.1.2 If ADWR notifies AWC that AWC may not store and recover water on an annual basis in exchange for AWC CAP Water delivered to the MSIDD GSF, AWC may terminate this Agreement, which termination will be effective 15 days after AWC delivers written notice of termination to MSIDD.

12.1.3 If AWC determines, in its sole discretion, that continued deliveries of AWC CAP Water to the MSIDD GSF are not in the best interest of AWC, then AWC may terminate this Agreement effective at the end of the period encompassed by the then-current AWC CAP Water Order by giving not less than 15 days' written notice of termination to MSIDD.

12.1.4 If MSIDD determines, in its sole discretion, that continued deliveries of AWC CAP Water to the MSIDD GSF are not in the best interest of MSIDD, then MSIDD may terminate this Agreement effective at the end of the period encompassed by the then-current AWC CAP Water Order by giving not less than 15 days' written notice of termination to AWC.

12.1.5 Upon mutual written agreement of the Parties.

12.2 A Party's right to collect any monies owed under this Agreement will survive the termination of this Agreement.

### **13. COMPLIANCE WITH LAWS**

In carrying out this Agreement, MSIDD and AWC will comply with all applicable laws and regulations of the State of Arizona and will obtain and maintain all required permits or licenses from appropriate federal, state, and local authorities.

### **14. BOOKS AND RECORDS**

MSIDD will maintain records pertaining to the administration of the terms of this Agreement, including records of MSIDD's water supply and water use data. Copies of such records will be furnished to AWC upon request.

### **15. AUTHORIZED REPRESENTATIVES; NOTICES**

The individuals named below are authorized to act as the designated representative for the respective Parties and will serve as a primary contact person for such Party. Any notice, demand, or request authorized or required by this Agreement will be in writing and will be deemed to have been duly given if: (i) mailed, via certified United States Mail, return receipt requested, postage prepaid; (ii) personally delivered to the Parties at the address set forth below; or (iii) sent via national overnight delivery service. The date a notice will be deemed to have been given, received, and become effective will be: (a) three days following the date of deposit in the mail, if the notice is sent by certified United States Mail, return receipt requested, postage prepaid; or (b) the date on which the notice is delivered or refused, if notice is given by personal delivery or delivery by a national overnight delivery service. No notice will be deemed effective unless sent in one of the manners described above. The designation of the addressee or the address may be changed by notice given in the same manner as provided for in this Section 15.

If to AWC:

President  
Arizona Water Company  
P.O. Box 29006  
Phoenix, AZ 85038-9006

If to MSIDD:

General Manager  
Maricopa Stanfield Irrigation and Drainage District  
41630 West Louis Johnson Drive  
Maricopa, Arizona 85138

#### **16. ASSIGNMENT**

The provisions of this Agreement will apply to and bind the successors and assigns of the Parties hereto, but no assignment or transfer of this Agreement or any interest in it will be valid unless and until approved in writing by both Parties. Any assignment or transfer of this Agreement by a Party in breach of this Section 16 will be null and void and of no legal force or effect.

#### **17. MUTUAL DEFENSE AND COOPERATION**

The Parties will exercise good faith efforts to defend this Agreement from and against any challenge made by third parties, and each Party will do so at its individual expense.

#### **18. UNCONTROLLABLE FORCES**

Neither Party will be considered to be in default in the performance of any of its obligations under this Agreement when the failure of such performance is the result of uncontrollable forces. The term "uncontrollable forces" will mean any cause beyond the control of the Party unable to perform an obligation under this Agreement, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, drought, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities, restraint by a court order or a public authority, or any action or non-action by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence the affected Party could not reasonably have been expected to avoid and which by exercise of due diligence it is unable to overcome.

#### **19. ENTIRE AGREEMENT; MODIFICATIONS**

This Agreement embodies the entire agreement of the Parties with regard to the subject matter addressed herein. There are no promises, terms, conditions, or obligations between the Parties relating to this subject matter other than those contained in this Agreement. This Agreement will supersede all previous communications, representations, or agreements, either verbal or written, between the Parties relating to the subject matter herein. There will be no modification of this Agreement except in a writing executed by both Parties.

#### **20. COUNTERPART EXECUTION**

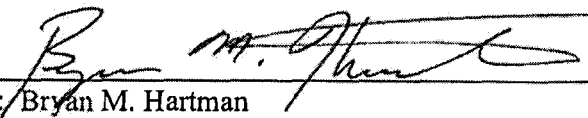
This Agreement may be signed in counterparts, each of which will be an original and all of which will constitute one and the same instrument. All signatures need not be on the same counterpart.


21. AUTHORIZATIONS

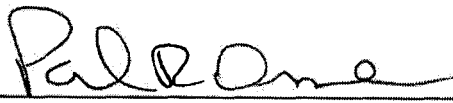
The Parties to this Agreement represent that the individuals signing this Agreement in the spaces provided below have been appropriately authorized to enter into this Groundwater Savings Facility Storage Agreement on behalf of the Party for which they sign and that no further action or approvals are necessary before execution of this Agreement.

IN WITNESS WHEREOF, this Agreement is executed this \_\_\_\_ day of \_\_\_\_\_ 2014.

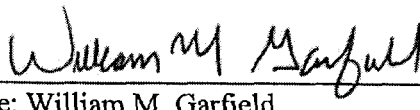
MARICOPA STANFIELD IRRIGATION AND  
DRAINAGE DISTRICT, an Arizona municipal corporation

By:   
Name: Bryan M. Hartman  
Title: Board President

By:   
Attested to by: Brian M. Betcher  
Title: Assistant Secretary

By:   
Approved as to form and content by: Paul R. Orme, Esq.

ARIZONA WATER COMPANY

By:   
Name: William M. Garfield  
Title: President and Chief Operating Officer



Central Arizona Project  
P.O. Box 42447  
Phoenix, AZ 85080-2447

11/20/14

## Arizona Water Company (Coolidge System)

M&I Subcontract

for

January - December 2015

Customer # 1099

### CY 2015 CAP Water Delivery Schedule

	Delivery Schedule (AF)	Delivery Charges	Invoice Schedule
Jan	0	\$ -	\$ 18,316.67
Feb	0	\$ -	\$ 18,316.67
Mar	0	\$ -	\$ 18,316.67
Apr	0	\$ -	\$ 18,316.67
May	1,400	\$ 219,800	\$ 18,316.67
Jun	0	\$ -	\$ 18,316.67
Jul	0	\$ -	\$ 18,316.67
Aug	0	\$ -	\$ 18,316.67
Sep	0	\$ -	\$ 18,316.67
Oct	0	\$ -	\$ 18,316.67
Nov	0	\$ -	\$ 18,316.67
Dec	0	\$ -	\$ 18,316.67
<b>TOTAL</b>	<b>1,400</b>	<b>\$ 219,800</b>	<b>\$ 219,800.00</b>

A/F Rate \$ 157

Please refer any invoice questions to Tina Brown at (623) 869-2149.  
Please refer any delivery questions to Mary Jan Jesser at (623) 869-2565.



Central Arizona Project  
P.O. Box 42447  
Phoenix, AZ 85080-2447

11/20/14

**Arizona Water Company (Casa Grande System)**  
**M&I Subcontract**  
**for**  
**January - December 2015**  
**Customer # 1079**

**CY 2015 CAP Water Delivery Schedule**

	<b>Delivery Schedule (AF)</b>	<b>Delivery Charges</b>	<b>Invoice Schedule</b>
Jan	173	\$ 27,161	\$ 84,400.58
Feb	161	\$ 25,277	\$ 84,400.58
Mar	245	\$ 38,465	\$ 84,400.58
Apr	250	\$ 39,250	\$ 84,400.58
May	2,850	\$ 447,450	\$ 84,400.58
Jun	1,337	\$ 209,909	\$ 84,400.58
Jul	307	\$ 48,199	\$ 84,400.58
Aug	264	\$ 41,448	\$ 84,400.58
Sep	228	\$ 35,796	\$ 84,400.58
Oct	265	\$ 41,605	\$ 84,400.58
Nov	203	\$ 31,871	\$ 84,400.58
Dec	168	\$ 26,376	\$ 84,400.58
<b>TOTAL</b>	<b>6,451</b>	<b>\$ 1,012,807</b>	<b>\$ 1,012,807.00</b>

A/F Rate \$ 157

Please refer any invoice questions to Tina Brown at (623) 869-2149.  
Please refer any delivery questions to Mary Jan Jesser at (623) 869-2565.

# ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY  
PHOENIX, ARIZONA 85015

WILLIAM M. GARFIELD  
PRESIDENT AND  
CHIEF OPERATING OFFICER

PLEASE REPLY TO:  
P.O. BOX 29006  
PHOENIX, AZ 85038-9006  
(602) 240-8880

December 19, 2014

Arizona Department of Water Resources  
Attention: Mr. Jeff Tannler  
3550 North Central Avenue, 2nd Floor  
Phoenix, Arizona 85012

Re: Notice of Availability of Funds for Solicitation for Grant Applications for  
Water Management Assistance Program - as Published on December 11, 2014  
in the Arizona Business Gazette

Dear Mr. Tannler:

Arizona Water Company ("AWC") hereby applies for Grant funding in the amount of three hundred fifty seven thousand five hundred dollars (\$357,500) for the purchase and storage of 5,000 acre-feet of Central Arizona Project ("CAP") water in the Pinal Active Management Area ("AMA"), pursuant to the above-referenced notice under the Arizona Department of Water Resources' ("ADWR") Water Management Assistance Program, as further shown below.

## Application Criteria Pursuant to December 11, 2014 Notice

Criteria #1. Applicant must hold a Municipal and Industrial (M&I) subcontract for CAP water within the Pinal AMA.

Response: AWC holds an M&I subcontract for CAP water for Coolidge and Casa Grande, which are both within the Pinal AMA.

Criteria #2. The Grant will be for the purchase and storage of 3,000 to 5,000 acre-feet of CAP water.

Response: AWC has ordered for purchase 2,500 acre-feet of CAP water to be stored within the Maricopa Stanfield Irrigation and Drainage District's ("MSIDD") Groundwater Savings Facility ("GSF") Permit No. 72-531381, and 2,500 acre-feet of CAP water to be stored within the Central Arizona Irrigation and Drainage District's ("CAIDD") GSF Permit No. 72-531382, for calendar year 2015 as part of AWC's Water Storage Permit Nos. 73-531381.0700 and 73-531382.0700, respectively, for a total of 5,000 acre-feet of CAP water for storage at two GSFs in the Pinal AMA.

RECEIVED

APR 28 2015

**COPY**

ARIZONA WATER COMPANY  
PHX - ADMIN. SERVICES

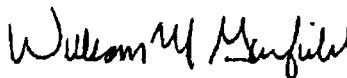
Criteria #3. The amount of the Grant is not to exceed \$500,000, with funding equally matched by the applicant.

Response: The amount of Grant funding requested by AWC is \$357,500, which is calculated as follows:

<u>CAWCD Cost Component</u>	<u>Rate</u>	<u>Quantity</u>	<u>Subtotal</u>
Municipal and Industrial Delivery Rate	\$157/AF	5,000 AF	\$785,000
M&I Capital Charges	\$22/AF	5,000 AF	\$110,000
GSF Credits from MSIDD and CAIDD	\$36/AF	5,000 AF	(\$180,000)
	Total Net Cost =		\$715,000
	Half of Net Cost =		<u>\$357,500</u>

I am enclosing excerpts from the company's CAP order for 2015, a copy of the company's water storage permits for the MSIDD and CAIDD GSFs, and a copy of the CAWCD rate schedule for 2015. Please let me know if you need any other information to support AWC's application for Grant funding under the Water Management Assistance Program.

Very truly yours,



William M. Garfield

jrc

VIA FACSIMILE (602-771-8686) AND U.S. MAIL

Enclosures

## STATE OF ARIZONA REMITTANCE ADVICE

WARRANT NO.

217063915

DEPT OF WATER RESOURCES

(602) 417-2450 EXT.

INVOICE NO.	INVOICE DATE	INVOICE DESCRIPTION	AGY	DOCUMENT/SFX	AMOUNT
	04/22/15		WCA	21551294	357500.00

EVER WONDER WHERE YOUR PAYMENT FROM THE STATE IS? OR, WHICH STATE AGENCY PAID YOU THROUGH DIRECT DEPOSIT/ACH? VISIT OUR VENDOR PAYMENT WEBSITE, [HTTP://WWW.VENPAY.GAO.AZDOA.GOV/](http://www.venpay.gao.azdoa.gov/).

VENDOR NAME: ARIZONA WATER COMPANY

FUND: ISSUE DATE: 04/22/15 WARRANT AMOUNT 357,500.00

FOLD OR SEPARATE AT COLORED LINE BELOW

STATE OF ARIZONA

DATE ISSUED
MO-DAY-YR
04/22/15

FUND AGENCY  
WCANOT GOOD AFTER  
VOID DATE SHOWN

VOID AFTER
MO-DAY-YR
10/19/15

DOCUMENT NO.

91-113  
1221

BANK	WARRANT NO.
21	7063915

PAY THIS AMOUNT

\$357,500.00

\*\*\*\*\*357,500.00 DOLLARS

PAY TO THE ORDER OF:

ARIZONA WATER COMPANY  
PO BOX 29098

PHOENIX AZ 85038-9098



DEPARTMENT OF ADMINISTRATION

*Jonathan A. Duany*  
COUNTERSIGNED GOVERNOR

PAYABLE THRU STATE SERVICING BANK OF STATE TREASURER OF ARIZONA